

**SPECIAL MEETING  
BOARD OF MAYOR AND ALDERMEN  
IN JOINT SESSION WITH THE  
BOARD OF SCHOOL COMMITTEE**

**March 4, 2004**

**7:00 PM**

Mayor Baines called the meeting to order in Joint Session with the Board of School Committee.

Mayor Baines called for the Pledge of Allegiance, this function being led by School Committee Member Gelinas.

A moment of silent prayer was observed.

The Clerk called the roll.

*Board of Aldermen*  
Present: Aldermen Roy, Gatsas, Guinta (arrived late), Osborne, Porter,  
Lopez, Shea, Garrity, Smith and Forest

*Board of School Committee*  
School Committee Members Stewart, O'Brien, Scott, Herbert,  
Labanaris, Gatsas, Donovan, Kelley, Gelinas, Kruse, Beaudry, Cote,  
Ouellette and Perry

Absent: Alderman Sysyn, O'Neil, DeVries and Thibault

Mayor Baines stated I'd like to welcome all of you to this meeting, the purpose of which is to hear a presentation on the School District budget. This is the first formal presentation of the budget. As you know, approximately over a little over three weeks from now I'll be making my recommendations for the budget in accordance with the Charter, but over the next few weeks we'll be finalizing numbers with the School District and all of the departments in the City and I'd like to turn it over to the Superintendent at this time and I'd ask you to hold all questions to the end of the presentation, it's going to be about a half-hour presentation and if you could hold all questions it would be appreciated.

Superintendent Ludwell stated we will be giving you a hard copy of the presentation at the end of the meeting. Good evening and thank you for attending the presentation of the proposed budget for the 2004-2005 school year for the School District. We believe that the budget that we'll be sharing with you is a modest but adequate budget to address the programs and the challenges of the School District. We thought we'd start by sharing what we believe are some of the accomplishments the District has achieved over the last year or two and the direction that the District is now taking. I think, number one, although these are not prioritized...one of the most important accomplishments is the elimination of the deficit

that the District had for more than a year. I think bullets number 2 and number 4...the Reduction in Drop Out Rate are both related and then Alternative Education Programs we've added several alternative education programs that we'll share with you a little bit later. I think also a very important area is the implementation of the curriculum review cycle. This is a cycle that within four years, hopefully, we'll have every discipline reviewed on a K-12 basis, it'll be aligned to the State standards and once we have an approved curriculum that will drive any textbook adoption. This year currently we are finishing off social studies curriculum, which was a partial curriculum in the past; we are also reviewing math, health and physical education. I would like to remind both Boards (I mentioned this last spring) that textbook adoptions are not inexpensive...they're eight to nine hundred thousand dollars per discipline and we have several dated texts. As you recall we had some texts dating back to 1974/1976...we have one math text that is 27 years old. Other areas that I'm pleased to share with you that currently we have No Schools on the "Need For Improvement" List as under no charge left behind and that's due largely to the very strong efforts of those individual school staffs. And, finally, a thing that I think the District is looking at is trying to nurture and present a very positive labor relations with our various unions. Looking at district goals, I think they're both formal goals and informal goals. The first three bullets are the formal goals that were adopted by the School Board and they include a successful completion on the Design/Build process, an intent to comply fully with No Child Left Behind (NCLB) which includes providing highly-qualified teachers and paraprofessionals, but most importantly emphasizes student achievement. And then the third goal that you'll hear throughout the evening presentation will be to continue to reduce our drop out rate. Informal goals include negotiating 3-year contracts with teachers, principals and support staff...we have four (4) unions in the District, to complete an elementary school facility study that's being handled through NESDC (New England Staff Development Council) and then finally we're very committed to maintaining fiscal accountability. Now, to take a little bit of a snapshot at the Manchester School District. We've tried to present here a 12-year enrollment pattern for you. The rate of increase...it has increased continuously for 12 years. The rate of increase has slowed down but we are still experiencing an increase in enrollment. We experienced an increase of about 100 students this year and we're anticipating between a 100 and 125 student increase next year. Another area that would be interesting to look at is how do our students, the status of our graduating students, how do our graduates compare to the graduates of other communities. If you look at that you'll see that especially in the post-secondary which is a combination of both the 2-year college program and the 4-year college program our graduates are at 71% and if you look down to some other cities in the State you'll see that that's very comparable to other cities as are the number of students going into the military and into the workforce. Very, very critical and a very important area to the School District, in fact, to the community is our drop out rate. The persistence to graduation. How many students start high school as freshmen compared to how many students graduate and that's one of the highest priorities we have because that's our job, is educating these students. Hopefully, you'll note that these are annualized data, not a cumulative data sheet and they're annualized because I thought it was important...especially if you look at the

totals at the bottom you can see that we are beginning to make progress in lowering the drop out rate. It's gone from 1001-2002 school year 402 students, last year we dropped it down to 338 students and as of March 1<sup>st</sup> and clearly we haven't finished the school year yet, but as of March 1<sup>st</sup> we were at 182 students. At the same time we're servicing 148 students in both our PASS Program and our Ombudsman Program. We have a very active and a very committed Alternative Education Committee in the District and they're working very closely with the Student Conduct Committee of the School Board. Looking at the demographics of our School District and I think this is a very critical slide...you can see the total enrollment...Special Education makes up about 15% of all of our student population. In any one year we'll probably service on a short-term or long-term basis around 3,000 students. Under that is the ESOL/ELL...that's a new government designation English Language Learner...you can see that makes up about 10% of our population and of those students they represent 72 countries and 56 languages. So, we face quite a challenge there. We are funded about 10%...about 10% of our funding comes from federal grants, 90% of the ESOL education monies is general fund. You can see Homeless and then looking at Free & Reduced Lunch at 30% and that's somewhat misleading. First of all, when students go to high school many times they will not sign up for free and reduced lunch or because the stigma or their age and going through adolescence, etc., the other thing is we have a very wide disparity between or among our schools. We have some elementary schools that have free and reduced lunch rates as low as 5%, 5.7%...yet, we have other elementary schools that are running at 82-83% for free and reduced lunch. One of the challenges we face as a District or as a community are the number of class sizes at the high school level that exceed 30 and if you look in the lower right you'll see that currently we have 129 high school sections that are over 30, not at 30 students, but over 30 students that first of all is in excess of the State standard and it's a very, very high concern. As a former teacher you can imagine that in any one day you might have, if you give a test, over 150 tests, over 150 essays to correct and get back in a timely manner at just providing a one-to-one connection with the students, it's a real concern. We tried to address it in the budget and then looking at the next slide...at the elementary level taking our current population and just moving those children up to the next grade level is another area of concern and we have tried to address this in the budget. You can see again that these are the classes that we're projecting to be in excess of the State standards and you can see the school and the grade level and the current or the projected average class size and again if you look at having been a former elementary teacher also to have 36 students in a class at the elementary school level is a real challenge, a real challenge. I'm going to feed into Mr. Sanders another challenge that he's going to start addressing now is, quite frankly, the issue of the aging teaching population.

Mr. Sanders stated that you Dr. Ludwell and good evening everybody. As Dr. Ludwell said we also wanted to present some information regarding our teacher profile, the age, the service of our teacher population which is an important challenge that we'll be facing here in the coming years. As you can see on this schedule we've given you on a bar chart form where are teachers are in terms of age...this is the 46-55 group, 55 and older...we have

about 222 of our teachers that are already over age 55 and in a position to retire from the School District. We have 300 teachers with 20 or more years of service and under the State Retirement System you can retire with 30 years of service at age 55 or 20 years of service at age 60. One other critical point that I believe has been discussed previously but I would just reiterate it is that under the State Retirement System for teachers there's a medical subsidy that is paid of approximately \$6,000 per year upon retirement for their medical plan. There is a sunset provision in the State Retirement System that teachers that retire after July 1, 2008 will not be eligible for that benefit. Consequently, we are planning for a scenario where we would expect to see 400 to 500 of our teachers retire over the next three to four years, this is an incentive that obviously no school district could offset and the other point to keep in mind there is that across the State of New Hampshire is going to be in effect, it's not something unique obviously to Manchester. So, all teachers in this category throughout New Hampshire will be retiring, it's going to put a tremendous amount of pressure on school district across the State to hire teachers and retain teachers, it's going to become very competitive. This is a comparison of the current salary structure in the 2003-2004 year comparing Manchester with a selection of ten other cities that we believe we are comparable to. We won't go through all of the intricacies of it except to point out basically a couple of things. Our starting level salaries which is the Bachelor Minimum column, this is the Bachelor's Maximum column, this is the Master's Minimum, Master's Maximum...as you can see on the bachelor's starting salary we're ranking 7<sup>th</sup> out of the 11<sup>th</sup> towns. At the higher end and obviously it's the Bachelor's Maximum column we are 3<sup>rd</sup> and at the Master's Maximum we're at 5<sup>th</sup>...this is where the more long service teachers are, these are the teacher's that are going to be retiring...we're going to be in a competitive situation here in hiring starting teachers and retaining our mid-level teachers. I think it's fair to say that our current salary structure is skewed to the high end of the range and we need to figure something out to incentivize our starting level salaries. A couple of other points that I would make about this chart is that this is today 2003-2004...Derry, for example, already has concluded a union contract where they're going to be at 3% next year, 3% the year after and 3% the year after that. So, they've positioned for their salaries to go up. Londonderry will go up 5%...this is in addition to the current steps, 5% next year, 5% the year after that. Salem goes up 3% next year, 3.5% the year after that...Nashua has concluded a three-year agreement at 8.5% increase over three years. Obviously, you could see what would happen to us if we're not in step with those types of negotiations. This is a scheduled of Operating Cost Per Pupil...this information is available through the Department of Education, it's nothing that we compile, it's available on their web site. I think we're shown this chart to you in prior years the only point I would make at this time is that they have not yet posted the 2002-2003 information but we got the \$7,800 from the Department of Education earlier this week, it'll probably be north of that number, I think he was being conservative in giving us the estimates, but he gave us the \$7,800...the point of this chart is recognizing where Manchester fits against the State average and you can see that obviously we have declined from 89% a few years ago to 84% at the end of last year. The State average is growing at a rate of approximately 7% annually...Manchester has been growing at a rate of approximately

5% annually. The other point that I would mention is that if you look at our rank from the bottom of districts with high schools, that is comparable districts in terms of the whole portfolio of education product...in 2001-2002 we were 5<sup>th</sup> from the bottom, we were 4<sup>th</sup> from the bottom in 2000...that information is not yet available through the State as to what our ranking will be...I think it's safe to say that it's not going to improve seeing as our percentages have continued to decline. This is an analysis of the Municipal School Equalized Tax Rates, which the State prepares this information in which they equalize the valuation across the State. I won't take you through all of these numbers either except to point out a couple of things. First of all, if you go back to the 98/99 year which is pre-Clairemont the last year before the Clairemont provisions kicked in...maybe I should just explain the chart...this is the State average for city and county taxes...this is where Manchester was at that time, this is the State average for school taxes, this is where Manchester fit in at that time, so if you went back to that time period the City/County tax rate was about 165% of the state average and the school tax rate was about 104% of the state average. If we come all the way to the right you can see the City/County tax rate has stayed relative comparable in terms of where it was four or five years ago. The school tax rate with the advent of Clairemont...here the school tax rate has declined and right now we're sitting at about 81% of the state average. This is a chart that depicts the tax payment per student of Manchester taxpayers going back to the late 1980's up to today. Obviously, the same phenomenon...this is the Clairemont provision kicking in, the adequacy aid coming in and essentially at least as near as I can tell it resulted in the property taxes declining per the school side of the equation and as the Clairemont money came in and we're now facing a challenge here as did the adequacy aid as you'll see later...we have some issues there. One other chart before I show you the budget...went through the information with the Finance Committee on Monday night and it really just proved a point that without an intent because you can make budgets and projections and people think you're trying to trick them and we're not trying to trick anybody here...this is actual spending...checks cut, not encumbrances, nothing through February of '04 this is what our actual cash out-the-door has been and as of February '03 a similar comparable period, this is what the actual cash sent out. The interesting point is that if we sub-total our actual cash spending at these seven categories they represent 95% of our total expenditures in each period, they're made up of salaries, benefits, debt service, city services, tuition, transportation, and utilities...95%. This is an overview of our budget, I'll be showing you some more detail here in a moment, but just to kind of set the stage as to what we're proposing and I need to show it in two ways because of the advent of our Design/Build debt service and the Capital Tuition payments coming from the sending towns, but to focus you the total expenditures that we're proposing is \$140 million, that's a \$13.7 million increase over our 2004 budget. If I deduct from that number \$3.2 million that's going to be paid by Hooksett, Candia, Auburn, and hopefully Bedford next year as well as \$900,000 that we're working with the City Finance group to get included in our budget that was received from Bedford this year...if I deduct out the Capital Tuition from the sending towns our increase is \$9.6 million or 7.6%. The accounting rules, unfortunately, in New Hampshire don't permit us to do this deduction, we have to show the

Capital Tuition as a revenue item, so on the expenditure side whatever the appropriation ends up being it needs to deal with the gross appropriation. Quickly, just to take you through the 10.8%...where's it coming from, what are we doing...the biggest driver is the Design/Build debt service...that is creating almost 50% of that increase...4.1% of the 10.8% is the Design/Build debt service. One percent are the step increases that have already been negotiated in the teacher contracts and other contracts where the folks get step increases. So, 5.1% of our increase is untouchable. Sharing with you here in a moment, what we're doing in terms of new positions to address some of the issues that Dr. Ludwell mentioned in terms of class sizes we're putting 29 new positions in that's a million dollars that's an increase of .8%. We've also made provisions for other salary increases for teachers, paraprofessionals, we have retirement payments to make in July next year for people retiring this year and we have about 45 teachers that have already announced their retirement. Benefit increases...maybe I'll just stop right there and talk about benefits for a moment...we've incorporated into the material you're going to see a 16% increase in our medical insurance. We had a meeting this week with Blue Cross/Blue Shield...previously, they have given us verbal advice, and they've now come back and said that we might see better experience than we were expecting at the 16%. Potentially, we could get our rate down maybe down to about 11% gross, so there might be some opportunity to reduce that number but I would just make two points about that. We are self-insured here at the School District like you're all well aware and we have no safety net in the event that projection is wrong. We don't yet have expendable trusts, we don't have resources set aside and at the end of the day we're going to pay whatever the medical benefits or whatever utilization actually is. We've sent Blue Cross back, we want some additional information on our HMO utilization and our Blue Choice Plan utilization and be very certain because if we pull that rate down to 11% the national average is 15% to think that you could beat the national average is on any length of time is probably foolish, but I point that out. Building Maintenance is up \$1.2 million in the budget we're going to show you. We are currently at the School District spending \$.65 a square foot for our building maintenance activity. Tim Clougherty, Kevin Sheppard the building folks on the City side have done quite a bit of benchmarking studies and working with some outside vendors and they've come back and said the national average, just the average is about \$1.43 a square foot and we're at \$.65 here in Manchester. In their recommendation for our budget they recommended that we get up to \$1.57 per square foot this year, that would have been an increase of something over \$3 million in our budget just for building maintenance. We, obviously, can't afford to do that...this estimate that you see here reflects going to \$1.00 per square foot next year and slowing ramping ourselves up to something approaching the national average. Then you can see other City services, which I'll dwell on in a minute. I realize this chart is a little bit hard to read so we are passing around to you the detailed chart that you could look at...just a couple of items on here I want to touch on...we've talked about salaries to some degree, benefits I'm sure you'll have some questions later...a couple of other points where we have significant increases I just want to touch on is in the transportation line item. You can see that there's about a 6.4% increase in transportation projection next year over this year. We do have a two-year agreement with

the Transit Authority here in Manchester and it's a fairly modest increase from about \$173 a day per bus to about \$178. The major increase in our transportation budget has to do with Special Education transportation; that is a significant driver to our transportation budget and that's creating some of that increase. One other item I want to point out...Special Education related is the tuition line item is fairly constant. The administration has made tremendous progress in the last few years in terms of bringing our Special Education students in district and establishing in-district programs for Special Ed students, so we've really leveled off our tuition estimates in terms of what we feel we need to pay in outside tuition and that increase is a modest 1.2%. Once again, this area is like health insurance, homes get built, apartments get built, people move into the City, we deal with the children and whatever their situation may be and at the end of the day we'll pay in tuition whatever we have to pay. But, we are getting confident that we do understand that much better. Utilities...there's an increase there...as I'm sure you're all aware PSNH has increased rates here in February by 9% and they started billing us at the higher percentage increase...we also have higher utilization at the schools as computers and other electronic equipment are acquired and the students are using them more...there are more electricity charges. One other point I would like to make at the bottom of the page, not all the way at the bottom...about the fourth line up there's a line item called Expendable Trusts and we have set aside in this budget \$175,000 for Expendable Trusts...though it has not been approved yet we're also planning and hoping that it will be approved and we'll be putting \$175,000 away this year and we hope to put another \$175,000 next year. One other point I would make about the chart before we move on is that we've tried to break out our Athletics budget, our Special Education budget from our core programs so that you would have some visibility as to what we're spending and where we're spending it in Special Education. As you can see we're spending about \$29.4 million in Special Ed next year, we're spending about \$1.8 million in various athletic programs, we've also incorporated into our Athletics Program the debt service associated with the Clem Lemire Sports Complex and we've also incorporated into each of the line items any Expendable Trusts that are being established for those programs. This is a summary of our City Services...as you can see City Services are up 22% in 2005 from 2004...that's an increase of \$1.7 million. On the Building Maintenance side, as I spoke earlier, this is the \$1.00 per square foot versus \$.65 per square foot. We also have what appears to be a modest increase in Parks and Recreation but we do have an open issue there that I just wanted to briefly share with you that the School District, in the proposal we received from Parks and Recreation there was the impression, at least at Parks and Recreation level that the School District was going to assume all of the liabilities and costs associated with the development of the Gill Stadium complex for the baseball team and they included in our budget in addition to other Gill Stadium costs about \$135,000 of amortization of the development cost. We've advised Parks and Recreation that we can't own Gill Stadium and we need to develop some other way of doing business there and some sort of rental agreement. The City Finance organization has been working with us to make that happen, but right now we've only taken out about \$50,000 of costs from Gill Stadium, I feel comfortable that we'll at least get to that number but I would be most optimistic that we would easily be able to take out another

\$100,000...we're waiting to see how that works out. So, Gill Stadium is an issue in here and an opportunity for something to be done. The secondary is the Police Department...we have one police officer in each of our high schools and in each of our middle schools. Up until this past year, 40% of the cost of police officers was covered by a federal grant, that grant expired and we are now looking at paying the full cost of these police officers based on their specific years of service, their salaries, their retirement contributions, their medical payments for all 180 days that our school is open...well, you can see that is almost a 30% increase...we've gone back once again to the Police Department and City Finance...but we have an increase here to deal with. And, finally, I'll just touch briefly on Risk Management...the primary increase here is the property insurance billing. There was a fire, I believe, at the Health Department a year or so ago, the City had all of the property revalued and the School District's revaluation went up substantially and that's the primary drive for this \$180,000. This is the summary of the new positions that we're proposing. I would share with you that we receive requests from principals well in excess of the 29 that you see here, well in excess. Let me go out on the limb here and say some educational for a second...these positions that we're talking about here are solely to maintain our current curriculum delivery. It's to deal with these class size issues and other specific issues. None of these positions comprehend an enhancement of our existing offering. We would have to get up in excess of 40 teachers being added before we'd be addressing curriculum additions at the elementary schools and the high schools. You can see where the additions are in terms of high school, middle, elementary...I think that's self-explanatory...Special Education, ESOL/ELL...we also are proposing three additions on what we call Support coming out of the administration area. First off, I'll quickly go through those...the first one is a secretary at Northwest Elementary School...that's an elementary school with approximately 700 students and it has one secretary. So, if we could all agree that we need another secretary at Northwest...these two positions here District-wide are Human Resource organization needs and administrative assistant. We have four Human Resource professionals servicing a District that has, at times upwards of 2 to 2,400 employees running through it. We have all the highly-qualified issues that Dr. Ludwell referred to...recruitment issues to deal with...certification issues to deal with...we need to get a professional administrative assistant in the Human Resource organization. The other position is a facilities manager for the School District. We, as you saw, we're spending, seven, eight, nine million dollars on building services in various ways from custodial services, building maintenance, purchasing of fuel oil...a whole series of things...there's no one in-house at the School District that is a professional facilities manager. We need that position. I'm sure that that position would be for itself in three months in terms of working on making sure that the School District gets a dollar worth of value for all \$9 million that we're spending in that area. This is our General Fund Revenues...I'll touch on four line items on this page...the first is the very first line...the Adequate Education Grant...we have incorporated into our budget \$45.1 million for Adequate Education Grant for fiscal 2005...that is the current law as it is written. I know that Alderman Gatsas and others are more knowledgeable on this than I am. There are a variety of proposals out there to modestly increase that number but more significantly



decrease that number significantly. We're putting in what the current law says we're going to get for next year. At this point, I should also mention that we are, however, cognizant of the fact that we could get substantially less than that figure and we are making provisional planning on the School District side for potentially having to have a reduction in force of our teachers, some portion of our teacher population. Those notices have to go out by April 15<sup>th</sup>, so we have about six weeks from today to come to grips with that and I think the Human Resource organization is working through all of the seniority issues and all that sort of thing. This issue, as we understand it, won't be resolved potentially until summer time, so even if we could agree on what the School District budget would be it's not clear how we would get over this hump on the Adequate Education Grant and might have to send these RIFF letters out even if we're all in agreement. The second number I would point out is our Operating Tuition from the sending districts. We're planning on \$12.5 million next year, that's slightly higher than this year but not substantially and the main reason for that is we have been projecting that our spending would be increasing in terms of the tuition rate we've been sending the sending towns and we've not been up at the \$6,700 per student that we're projecting. So, we're not projecting any increase in that \$6,700 next year from this year, so that's a modest increase. This is the Capital Tuition from the sending towns...a point there, just briefly...an assumption has to be made in putting this budget together as to what the Town of Bedford is going to do next week. The assumption that's incorporated in this number is that they are going to approve opting into the 20-year agreement and their payment of this \$3.169 million would be approximately \$1.2 million of that...the remainder would be Hooksett, Candia and Auburn. Obviously, they could disapprove the arrangement as well and we would have to deal with that from a budget perspective at that time and Randy and Kevin and I and the Superintendent and Mayor Baines have had some conversations about that, but at the moment it seems like the most likely outcome. One other item that I do want to point out is we've put \$900,000 in a line item called Transfers from the City. This \$900,000 is Capital Tuition paid by Bedford this year...will be paid in the second semester...we haven't incorporated that anywhere in our '04 budget we were just going to move it directly in the debt service trust account on the City side for the Design/Build debt...once again, have had some conversations with City Finance about using that \$900,000 to give it to us as a revenue item to help us pay the debt service for next year which is how it's incorporated here or we put it in the debt service account this year and we pay less debt service next year. Hopefully, we can take advantage of this \$900,000, it's there, and we should go do something with it. These are just some bar charts of information that you've already seen in terms of Special Education costs...it started to level off to some extent, as I mentioned in in-district program that we have running, but we still have transportation issues and there are obviously still some out-of-district work going on there. This is just our Health Insurance budget...I think we talked about the 16% increase and maybe there's some opportunity to bring that down. This is our School Food & Nutrition budget for this year. We're proposing a total expenditure for School Food & Nutrition of \$5.2 million...that's about 6% higher than this year. The main drivers, of course, being the salary line, benefits and somewhat higher costs for food...that all said, we have no expectation that we will have

to raise any lunch prices for any of our students. This comprehends the current lunch price structure, we are running a small surplus...we're projecting this year of about \$1,000 and our budget is predicated on kind of a break even situation for next year. In summary, this budget process has been thorough and my colleagues in the administration...the hard work that's been done and the School Board members that have participated in our numerous meetings, some of them on Saturdays and all the others in the evenings. We feel as though we've addressed Manchester's educational challenges in a direct and forthright manner. We recognize our dual responsibilities: (1) is to provide an adequate and appropriate educational opportunities and programs to citizens of Manchester, but also at the same time to allocate our limited resources prudently and effectively. The budget proposal meets those requirements and we welcome your input, advice and questions. Thank you.

Mayor Baines stated at this time I'd entertain questions and comments from members of the Board to direct to the Superintendent and his staff.

Alderman Roy stated, Superintendent, you mentioned that we're going through a four-year review of the curriculum and then there was a time for textbook adoption. What do you look at if everything goes to plan and you've done your review in four years when will we have the adoption, is that based on dollars or is that a plan you need to implement?

Superintendent Ludwell replied first of all I think it's important that we don't allow the textbooks to drive our curriculum that our curriculum drives the kind of textbook or the decision on which textbook we adopt. I think as we have and as the Board is presented and approves a specific curriculum that we go ahead and begin to look at a textbook to match that curriculum and keeping in mind I said \$800 to 900,000...it could be some disciplines require less, some i.e., language arts might require more and that's per discipline, so even if we were to budget it at \$800-900,000 a year...that would be for only one discipline and if we're addressing two or three disciplines a year we're always going to have to be in that mode of having to have that in the budget.

School Committee Member Beaudry stated I don't have a question but I actually have a comment. I just want to commend the Superintendent and the entire faculty that put this power point presentation together tonight, it's a great job.

School Committee Member Herbert stated I'd like to add commendation to the staff; that is one of the best, it was done very quickly and there was a lot of information. I just would like to highlight or repeat the one item that was pointed out and it was even harder than I thought it was, but 95% of the budget is essentially fixed. It's an extraordinary circumstance and it just goes to reinforce the fact that much of what we do here...much of what we provide here is budgeted in fact in Washington, DC and Concord, New Hampshire and not in Manchester and it makes our job extremely difficult and unfortunately that's the situation and all the strings are attached and we have very little room or we can't be creative with the money

which is unfortunate because I'm sure we could come up with programs that would probably be more effective, if not less costly but it's not an option and I prefer that the Aldermen keep that in mind when they talk about expenditures and realize that they're reaching to the choir when they want to spend money well but we have very, very little ability to affect our budget. So, any cuts are coming out of the 5%.

School Committee Member Stewart stated I was hoping that maybe Ms. Burkush could share with the committees the information regarding the creativity that we have used in the Special Education area for having students come back into the district in ways that we've saved money.

Ms. Burkush stated one program that we've continued to develop is our Autism Program. With the increase in the number of students with autism over the last five or six years...we started six years ago with pre-school and now we're complete at high school. So, we have autism programs for all of our high school students up through grade 13 or 21 years of age. So, we're very pleased with that. This year was the year that we started the Autism Program over at West High School. What we realized this year with eight students in the program that what our benefit was not only that the students are staying in the community, they're not taking long bus rides, but also that we were able to provide a program with the cost per student a little bit over \$27,000 per year. When the average when we were placing kids outside of the district was a little bit over \$46,000 per year. So, this year with finances and health and Karen DeFrancis we've come up with a number of what we saved this year in just the area of autism...was about \$74,000, so we're really pleased with that and that students are staying in and the program is wonderful. The staff is just wonderful over at West High School. The second program that we started this year was the High School Emotional Behavioral Disorders Program; that program as of this date we have eleven (11) students in that and the cost per student...what we're running the program at is a little over \$17,000 a year and we've realized at least six students that were from out-of-district placements last year have returned to the District and then four who would have been placed out-of-district this year and then we have a tuition student in from Hopkinton that's also participating in the program. So, in that program we realized a savings of \$154,000, so we're very pleased with that and again our biggest accomplishment we believe is that we're keeping students in our community in quality programs and at the same time we are being prudent with our funds. The other programs that I think have benefited students with disabilities are the Ombudsman Program...as Dr. Ludwell was saying that that program...we have students with disabilities and this year we also have been successfully integrating students with disabilities at the PASS Program...those again are high school programs and that has been in the past our largest population of students that have been out-of-district. I think that's basically it.

Mayor Baines asked, Mrs. Burkush, what is the range of costs for an out-of-district placement?

Ms. Burkush replied for an out-of-district placement our top student this year is a little bit over \$200,000 and then the minimum that we pay is generally what is called our 402 CAP which is around \$22,000 a year. Of course, we have other students that go to some other LEA's or other school districts and that tuition varies substantially.

Mayor Baines stated so there is one student that is costing us \$200,000 this year, is that what you just said?

Ms. Burkush replied that is correct.

Alderman Lopez stated there are a couple of areas that I'd like you to capitalize on a little bit better...the 29 teachers that you need...and I'm only interested in the high schools, not the elementary or middle, but you have 50% of the teachers in the high schools in the District that you're hiring...is this because of the expansion of the schools in comparison to what we were told last year, the additional rooms...

Mr. Sanders replied it has nothing to do with the Design/Build process with the additional brick and mortar. It is solely driven by the student enrollment.

Alderman Lopez stated I was wondering also in reference to building maintenance going up over \$1 million...are we working with Building Maintenance, is that additional contractors coming in or is that the City going to operate the maintenance of additional equipment that we've put in in the schools?

Mr. Sanders replied it's a combination of both of them, at least as it's been presented by Building Maintenance. Keep in mind that they proposed to take us up about \$3 million above this current year's number. It was a combination of outsourcing, additional contracting activity as well as hiring people internally inside the Building Maintenance organization to provide some of the maintenance as well. I think we've agreed...Mr. Clougherty and Mr. Sheppard and I generally at this point that pending approval of the budget then we would figure out how to best and most wisely spend that money be it internally to the City or be it outsourced.

Alderman Lopez stated there must be a guarantee on a lot of that stuff the first year, am I correct? There is no guarantee on some of that stuff that they're putting in...air exchange and stuff like that.

Mr. Sanders replied there's certainly warranties on all the new equipment that's being put in. But, keep in mind the City...Mr. Clougherty has advised us that 40% of the Design/Build cost is associated with deferred maintenance over the last 10 to 15 years and part of moving up to \$1.00 a square foot is doing the preventative maintenance things that are going to extend the life of the equipment that we historically have not been up and doing here at the

School District, so that is a portion of moving up to a dollar...yes, there are new systems that are under warranty but just as with your automobile you do need to change the oil and do all those things to preserve the warranty.

Mayor Baines interjected this was the recommendation of Public Building Services that you're acting upon, am I correct on that?

Mr. Sanders replied yes, Sir.

Mayor Baines stated a question about the enrollment figures...are those based upon October 1 enrollments or present enrollment.

Dr. Frank Bass stated those are based on October 1 enrollments.

Mayor Baines asked could you give me the status of those sizes based upon present enrollment.

Dr. Bass stated those number are down from where they were in October because...

Mayor Baines stated no big deal, just get me the present status based upon present enrollment.

School Committee Member Donovan stated I have a question on revenues and actually I think I know the answer but I'd like Mr. Sanders to confirm it...on the Tuition Capital Cost...this is a new item this year...you have it down for \$3.169 million and I believe you said that's including \$1.4 million from Bedford...

Mr. Sanders stated \$1.2 million from Bedford.

School Committee Member Donovan stated that is on the assumption that Bedford will opt into the 20-year contract.

Mr. Sanders stated that is correct.

School Committee Member Donovan stated if they do not opt into the 20-year contract they continue under the 3-year contract, right. What is the non-operating portion of that tuition?

Mr. Sanders replied if they do not opt into the 20-year agreement they would pay us under our current 3-year contract \$4.4 million next year for Capital Tuition in addition to Operating Tuition.

Alderman Roy stated it was alluded to that the 29 requested teaching staff or support staff was far less than the total requested from the individual schools...I think it's worthy that the committee hear what the total requested number was and the significant difference between what our principals are requesting and what is actually being put in the budget.

Mr. Sanders replied that the principals requested approximately 100 new positions and we have a very difficult process of whittling this down to what we are calling core requirements and then we actually have phases that if the sun really came up tomorrow we would like to add to get up to 40 to 50 teachers...we recognize that that is not going to happen, but yes 100 teachers were requested and supported and substantiated with plans as to why they needed them.

Alderman Osborne stated the bottom line...would you say that the Design/Build is the cause of the biggest increase here.

Mr. Sanders replied yes I would say it's two things setting aside new positions for the moment...it's the Design/Build debt service and it's also the maintenance issue that we're trying to get ourselves on at the recommendation of the City onto a building maintenance process that will preserve these new buildings were building as well as extending the life of the assets that we have, so it's those two things.

Alderman Garrity stated what would be helpful to me is I'd like to see the last five years budget numbers by line item, that would be helpful, just to analyze that. I don't need it tonight. They could just send it to the City Clerk's Office.

Mayor Baines stated again they won't get the budget until April so you'll have some time but we'll be talking about some of this going forward.

Alderman Shea stated I know that you set aside for the gifted and talented at the elementary...did you spend that this year?

Dr. Aliberti replied yes, we actually hired two part-time coordinators for the Gifted and Talented Program. We're in the process of establishing that program right now looking for parent involvement as well as teacher and administrative involvement. So, the money that was budgeted last year for that position has been expended.

Alderman Shea asked have many children participated?

Dr. Aliberti replied right now we're in the process of establishing the program.

Alderman Shea stated which means no children this year have participated.

Dr. Aliberti replied that is correct.

Alderman Shea stated we all know here that it would be unprecedented for you to probably grant the total amount, you could, that's your prerogative, but I just wondered if for the sake of discussion you had to look at a different type of budget how do you go about doing that, could you help me in that regard, what would you tend to do if the amount requested were not granted.

Superintendent Ludwell replied Mr. Sanders alluded to perhaps some savings in the area of health benefits based on today or yesterday's discussion with Anthem. Actually, there is very little in that and if you go back to his earlier comment that 95% of our costs are fixed, in essence, and you look at the rate of increase we all know that PSNH raised it 9%, we looked at the rate of 22% for City Services...the only place in education, the only real savings is in personnel.

School Committee Member Kelley stated I have just a clarification...you mentioned earlier that if we don't get our Adequacy Grant funded to the level that we're looking at now we would have to RIFF are you talking that we will first start based on this budget with the 29 new hires and if we don't get this budget is it my understanding that we'd be riffing current teachers?

Superintendent Ludwell replied that is correct, these teachers...that was based on the premise of this budget being approved, any reduction in this budget would mean an increase in the total number of teachers being exposed to the RIFF possibility.

Mayor Baines stated or there would be possibilities of adjustment in other line items to be fair.

Superintendent Ludwell stated that is correct but true savings come after you've done all that and after you've cut textbooks and other areas you really come back to teachers.

Mayor Baines stated again just so you understand where we're at with the situation. If this budget were to be adopted as it is right now, this budget alone, just on this side would be approximately an 8% property tax increase, so the chance of that coming forward is highly unlikely because we're also dealing with the City side...as you know this is a very challenging part of the budget that's on our side right now which will soon be on the Aldermanic side to come in with really accurate estimates of revenues. The biggest wild card that we're facing here is the Adequacy Grant as was alluded to when Alderman Gatsas made a presentation about a month ago. The swing could be as high as \$5 million in the negative on some of the proposals that are out there, so that's a gigantic wild card that's out there and the Superintendent has indicated that he is going to have to guard against it. We didn't face that kind of uncertainty at that level at any time in point since I've been dealing

with the budget and most of the Aldermen have been dealing with this budget. So, that's very significant. So, I want everybody to be aware that the uncertainty at the State level and I have to commend Alderman Gatsas because he's been working very hard on some formulas that is struck at the core of fairness, so we need to watch what's going on in Concord very, very carefully.

School Committee Member Herbert stated a question for the Mayor in regard to what you just said because I may have misheard you...on the debt service increase what is the net debt service increase after we account for the increase in revenue we will be receiving from the tuition contract. It's been pointed out that because of the way we have to account under the new standards the entire debt service is presented without regard to the increase in revenue, so I would like to get out into the public what the net increase in debt service is once the revenue increase from tuition towns is accounted for because that's the number that affects taxes.

Mr. Sanders stated I'll give you a couple of numbers here...\$5.2 million is the incremental debt service on Design/Build and it's on one of the schedules in your package. We are expecting to collection \$3.2 million (rounded numbers) of Capital Tuition from the sending towns assuming Bedford opts in for a net increase of \$2 million. Now, we're also hoping to work out some arrangement...we can avail ourselves of this \$900,000 of Bedford tuition that was paid this year but hasn't been fully accounted for in our budget, so if I take that out as well it's about \$1.1 million.

School Committee Member Herbert stated that's if Bedford opts into the 20-year agreement. If Bedford does not opt into the agreement what's the net impact on the capital expenditure line?

Mr. Sanders replied the payment that Bedford would make as we mentioned previously would be \$4.4 million. The issue, however, in taking that into any one year's budget is that was originally intended to be ten years worth of financing, so if we run \$4.4 million through this 2005 budget because that contract only has one more year after 2005 we will definitely just be kicking this can down the road a little bit so to speak and we'll really be paying for it.

Mayor Baines stated we'll know Tuesday what's going to happen, so I think speculation on that issue I don't think is going to do us much good there but obviously that that scenario we will have to look at very carefully and not use that \$4. something million in one year because you calculate that as to what would happen with the eventual withdrawal of Bedford you'd be having a very significant challenge.

School Committee Member Herbert stated I just thought, Mayor, that if you're going to be presenting to the public the worse case scenario when you want to represent our taxes you might get the best case scenario out in public minds too.



When I looked at my figures previously on our budget after we went through the scenario of increase in revenue the 10% in the gross increase becomes...in terms of taxation...a little over 7%, if I saw it correctly. But, I thought I just heard you say that even though we increased it, we increase our budget 7% it amounts to an 8% tax increase to the taxpayer and I didn't quite follow that. I don't quite know why...

Mayor Baines asked am I correct on that, Randy?

School Committee Member Herbert stated I'd be interested to find out how a 7% increase on the School District budget side would become an 8% increase on both budgets.

Mr. Sherman stated if you look at your revenue page actually you'll see that the School property tax goes up \$10 million. Now, the total property taxes that the City raises is about \$130 million and change. So, if you take the \$10 over the \$130 and that's without any City increase, \$10.474 million...so, it's \$10 million over the \$130 million.

School Committee Member Herbert stated the \$10 million is the increase in General Fund Revenue being requested by the School Department.

Mr. Sherman replied and the increase in property tax funding requested by the School Department. Now, if you look at this page here you see the second line up where it says Total Taxes...you're '05 request is for the City to generate \$75 million of taxes...last year it was \$65 million.

School Committee Member Herbert asked what's the multiplier? What created that situation? Why did...is there something that was covered under a grant money that now is not?

Mr. Sherman stated what's happening is...the problem is your spending has gone up...the \$13 million that you've requested...but, your non tax revenues have only gone up about \$3 million and change. So, the balance, the extra \$10 million is all property taxes that just falls to the bottom line and because again it's dropping all the way it falls on top of that \$130. So, when the Mayor throws out that 8% that's before we talk about anything on the City side.

Mayor Baines stated the good news is that a couple of years ago the School District handed us a budget that would have been about a 16% property tax increase just with the School District budget at the beginning of the process. So, if we're looking for some good news it's that the challenge isn't quite as significant, but it's still significant.

Alderman Shea stated I'm noticing that under City Services you have the Police Department going up, I guess, 28% and I'm interested to find out if you had to weigh whether or not you would employ the Police Department in the schools vis-à-vis employing teachers that are

necessary in the classroom what decision would you make if it came down to that, of course. In other words, how vital are Police Department services versus teachers within the classrooms to instruct the children.

Superintendent Ludwell replied I think any decision that's made in education is made closest to the children and working out so obviously teachers would impact instruction more than police officers although I would hope that as a community we wouldn't be to the point where we're saying we want to pull police officers out of the schools, but if we got to that point clearly, I believe, the administrative decision would be to keep teachers in the classrooms.

Alderman Shea stated so the contribution of the Police Department...could you define what their role is in the schools.

Superintendent Ludwell stated there's a variety of roles. Sometimes they're pulled out to do other duties, they work with students, they actually help instruct students relative to safety, etc., they held in severe discipline situations, they help with traffic control, they really provide a variety of services.

Mayor Baines interjected let me also emphasize us having lived through the implementation of the police officers in the school, I know there was a time in my career especially early on I said when police officers come in I go out...police officers came in and I stayed and I was very glad they were there with me. They have a presence in the school and when you talk about the middle and the high schools, in particular, the fact that we now have a presence of a police officer who the students...when you have a police officer in the school the students get to know the police officer and the police officers get to know the students and they also deal with follow-up and I don't want to overstate this but they do do some follow-up in what's happening in the community with certain people that are in the school so they have a very comprehensive role working with administrators, guidance counselors and other support staff to keep a watch over the school and provide an aura of safety and security for teachers, administrators and parents who have their children in our middle schools and high schools and as you know this is pretty much common practice all over the country right now.

Alderman Shea asked how many police officers are there for the amount of money...

Mayor Baines replied seven...four in the middle schools and three in the high schools, am I correct.

Mr. Sanders replied that's correct. I would just add that crossing guards...there are some other police-related services in that number beyond...the DARE officers are there, the seven resource officers, there's also \$50,000 I think for crossing guards.

Alderman Shea stated crossing guards are included in that expense. So, in addition to the police officers there are crossing guard expenditures.

Mr. Sanders replied yes.

School Committee Member Donovan stated this is a question for someone from City Finance...my reading of the tax rate, the school tax rate combined...state plus local for the 2002-2003 fiscal year was \$12.56...tax rate for this current fiscal year is the same \$12.56, so in other words, the school tax rate remains static from year-to-year...is that correct?

Mr. Sherman replied I don't have that information in front of me but I guess one thing I'm not sure...which side of the reval are those numbers on. Are they on different sides of the reval and I think also didn't the State rate go down.

School Committee Member Donovan stated the State rate went down and the City rate went up, but I'm talking about the combination of State plus City...

Mr. Sherman stated my guess is it may have to do with the reval. I'd have to go back and check those and I'll certainly do that before we meet on the budget.

School Committee Member Donovan stated at least that's what I get just from reading it and then my follow-up was wasn't the reason for that that we were fortunate that the Adequacy Grant that we received from the State went up by \$3 million from last fiscal year to the current fiscal year...it went from \$42.5 million to \$45.5 million and that was not worked into the budget that was approved by the School Board and it wasn't worked into the budget that was approved by the Board of Mayor and Aldermen. It was something that happened afterwards and went right to reducing property taxes. If we on the School Board side didn't come back and ask for any of that money and so that additional \$3 million went to ameliorate the rise in the tax rate and at least by my numbers we had a flat tax rate from year-to-year.

Mr. Sherman stated I'll go back and check it.

Alderman Roy stated, Bill, during your presentation you quoted what a few of the towns around us had started negotiating their contracts at, would it be possible to provide us with a spreadsheet of your findings, it's not part of our package but it was very informational and you seem to have quite a bit of knowledge in that area.

Mr. Sanders replied sure, I'll put some information together with the help of Mary Donovan on the HR side, absolutely.

Alderman Porter stated I'd just like to make a comment to Mr. Donovan. When you're dealing with equalized tax rates you're not dealing with the tax rate that you're going to actually see on the bill. You could have a tax rate increase in a portion either county, municipal or state or local school or state school, but if the ratio as derived by the State drops a certain amount even though the actual rate and impact of the taxes goes up the equalized rate could go down. So, you really can't use equalized rates to figure out what kind of a tax increase you'd have.

School Committee Member Donovan stated I don't believe I used equalized rates, I think I used the actual rates and I'll work with Mr. Sherman on that but thank you for that comment.

Alderman Smith stated I have a question on debt service and you were saying you had to pay a debt service in regard to Gill Stadium to Parks and Recreation, could you explain that to me or is it a user's fee or what is it?

Mr. Sanders stated as I understand the enterprise fund that Parks and Recreation is in...approximately \$4 million is going to be spent to renovate Gill Stadium for the baseball team. In the proposal that the School District received from Parks and Recreation they were depreciating that \$4 million improvement at \$133,000 a year in billings to the School District. Essentially, the School District owns Gills Stadium is how that was going to work out, so they would be charging us \$133,000 for 20 years or something.

Alderman Smith stated this has been a pet bone of mine, I don't believe that Gill Stadium should be in the enterprise system in the first place, but have you talked with the Finance Department about this?

Mr. Sanders replied yes I have.

Mayor Baines stated we're working through that.

Alderman Lopez stated last year you presented...we were talking \$121 million and we went to \$127 million but the difference between that...you presented something what would happen and now we're talking about \$5 million that maybe we would not get from the State. Do you anticipate that as we go through the budget process here that if you don't get the \$5 million, if you don't get \$3 million are you going to present something to the Board of Mayor and Aldermen so we can deliberate on the budget like we did last year we had a full picture of what would happen if you did not get "X" number of dollars.

Superintendent Ludwell replied we don't have...right now what we're doing is finalizing the seniority list and that will allow us to be a little bit more accurate on the number of RIFF's relative to the \$5 million and we can present that to the Board.

Mayor Baines asked are there any other questions from members of the Board. If not, I want to thank the School Administration and we look forward to working with you over the next few weeks to finalize my recommendations and going forth to develop a final budget for the School District.

This being a special meeting of the Boards, no further business was presented, on motion of School Committee Member Stewart, duly seconded by Alderman Roy, it was voted to adjourn.

A True Record. Attest.

City Clerk